

## **RURAL COOPERATIVE TO REAP HIGHER SOYBEAN REVENUE VIA VALUE-ADDED ASSISTANCE FROM USDA**

### **Outline of Need:**

Farmers Co-op Oil Company of Newman Grove, Nebraska, sought to become a producer owned value-added enterprise that processed locally grown soybeans into soybean meal for local livestock producers and soybean oil to area processors. The conversion of soybeans into meal and oil begins by mechanically extruding the soybeans to release the oil from the meal. These products are then separated, and the meal is ground to a uniform consistency that is used as additional protein and energy for livestock feed in swine, poultry, and dairy operations. The oil that is separated is sold as feed or fuel grade oil to processors. While these processes have been in existence for years, many farmers in rural areas have been unable to reap the benefits associated with such value-added processes as the value-added activity takes place after the commodities are sold at low market prices.

### **How Rural Development Helped:**

The United States Department of Agriculture (USDA) Rural Development assisted the Farmers Co-op Oil Company with a \$22,300 value-added agricultural product market development grant (VADG) in 2003 to complete a feasibility study that would verify the existence of an emerging market for natural processed soybean meal and oil products. The project received the green light and later that year, the coop received \$120,000 from an USDA Rural Development VADG to assist in the first full year of operations at the recently built and fully equipped producer owned soybean extruding and expelling plant. The facility would process locally grown soybeans into value added soybean meal and oil for livestock feeders, feed mills and oil processors. The plant is a division of Farmers Co-op Oil Company in Newman Grove. Farmers Co-op Oil provided matching funds of \$142,300 towards the project.

“The soybean processing facility allows rural Nebraskans who are members of Farmers Co-op Oil Company to actively participate in, and own a value-added enterprise, which diversifies their incomes and ultimately improves the long-term sustainability of their farming operations,” stated Randy Benson, general manager for Farmers Co-op Oil Company.

### **The Results:**

Today, NewMaSoy™\* Extruded / Expelled Soybean Meal, NewMaSoy™ Extruded Full Fat Soybean Meal and NewMaSoy™ Natural Process Soybean Oil is being produced from the 1200-1500 bushels of soybeans processed daily. Three full time positions and several part time positions have been added to the plant's workforce. Through the hiring of a full time marketing person, via the USDA value-added grant, sales increased dramatically in 2004.

The demand for soybean oil is excellent with the product being sold as quickly as it is processed. Soybean meal requires more marketing efforts but sales continue to climb each month and repeat customer numbers show strong. Over 480 tons of meal were sold in October and approximately 1,000 tons contracted for late 2004 and first half of 2005. Protein is being provided to dairy and swine farms, and several feed mills. The sales area has expanded to cover 13 counties in Nebraska with contacts in Kansas, Colorado, South Dakota, New Mexico, and Idaho. Soybean meal has not been sold out of state yet, but is the next marketing step for the co-op with sales in both Kansas and South Dakota on the horizon.

The soybean value-added activity is anticipated to provide a \$.20 per bushel increase over the soybeans' raw product value. This will benefit the approximately 310 Newman Grove area farmers of the 100 percent producer-owned marketing and service cooperative, Farmers Co-op Oil Company.

\*NewMaSoy is a State of Nebraska registered trademark.

(November 2004)